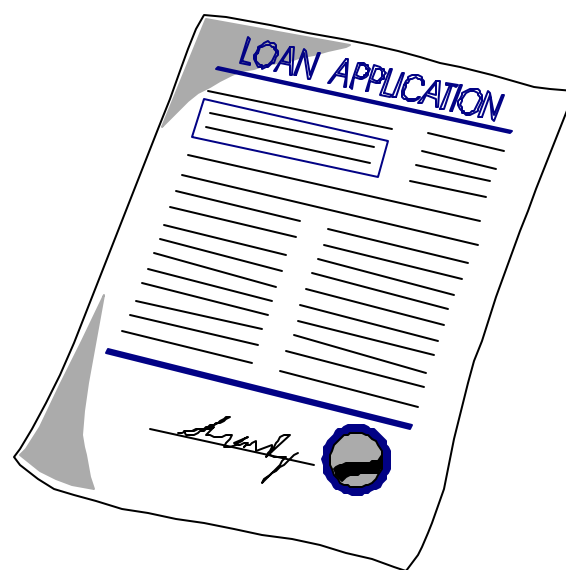


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Indiana Department of Financial Institutions

BORROWING BASICS

Instructor Guide



Building: Knowledge,
Security, and
Confidence

FINANCIAL EDUCATION CURRICULUM

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INSTRUCTOR INFORMATION

Before the Session

To properly present the Borrowing Basic course, you should:

- Review all materials in the Instructor Guide and the Participant Take-Home Guide.
- Make copies of Participant Take-Home Guides.
- Copy slides (overheads) into transparencies or use PowerPoint Slide Presentation.
- When appropriate, prepare chart paper examples.
- Identify potential trouble spots in the exercises, as well as hints for assisting participants.
- Select and prepare anecdotes from real-world experiences that can be used to illustrate special scenarios, generate discussion, and maintain participant interest.

Materials and Equipment

- Transparency projector or Computer projection for PowerPoint Slide Presentations
- Borrowing Basics transparencies or PowerPoint Slide Presentation
- Chart paper and easel
- Markers for chart paper and transparencies
- Name tents
- Pencils or pens for each participant
- Participant Take-Home Guides

Instructor Steps

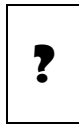
Step-by-step directions are provided for the instructor. The text below is an example of an instructor step:

Instructor Cue	Instructions
<div><p>You Will Know</p><hr/><ul style="list-style-type: none">● The value of credit● Different types of loans<p>2</p></div> <p>Slide 2</p>	<ul style="list-style-type: none">▶ Show Slide 2 (You Will Know).▶ Review course objectives.

Generally, these steps enable the instructor to ask questions, provided explanations, show slides, hand out materials and introduce exercises.

Icons

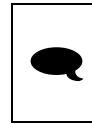
Icons alert the instructor to discussion questions, exercises, transitions, and summaries. They appear in the left margin:



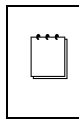
Ask questions or conduct a discussion.



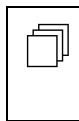
Distribute a hand out.



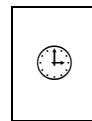
Explain.



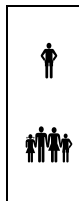
Report out exercise information or record the results of a brainstorm.



Refer to activity material.

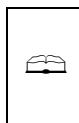


Allow Time

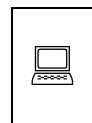


Indicate the beginning of an individual activity or exercise.

Indicate the beginning of a group activity or exercise.



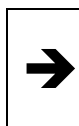
Read



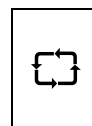
Web Sites for additional information.



Summarize an activity or check for understanding.



Transition to the next topic.



Summarize the course

BORROWING BASICS

Objectives


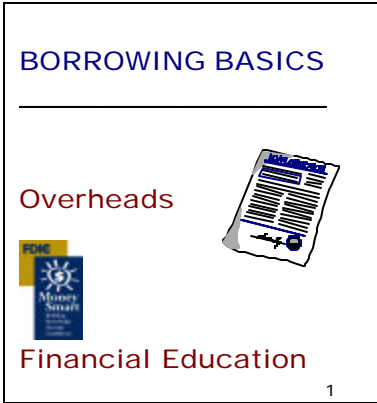

By the end of this course, participants will be able to decide when and how to use credit. To achieve this objective, participants will be able to:

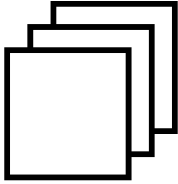
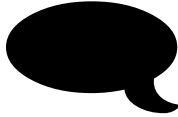
- Explain the value of credit
- Describe different types of loans

Time

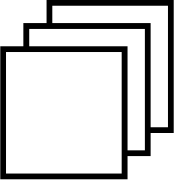


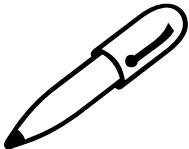

65 Minutes

Course Introduction


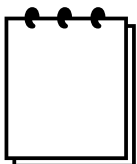

Instructor Cue	Instructions
	<ul style="list-style-type: none"> ▶ Before the start of the class, hand out the following materials to each participant: <ul style="list-style-type: none"> ● Participant Take-Home Guide ● Name tent ● Pencil or pen
 <p style="text-align: center;">Slide 1</p>	<ul style="list-style-type: none"> ▶ Show Slide 1 (Borrowing Basics). ▶ “Welcome to Borrowing Basics!” Introduce yourself (e.g., name, experience as an instructor or banker). ▶ Explain: “By taking the Borrowing Basics course, you are making an important step to building a better financial future for yourself and your family. It all starts with understanding the basics of personal finances.”
	<ul style="list-style-type: none"> ▶ Ask: “How many of you have ever borrowed money? This doesn’t include borrowing from family or friends, but from a bank, credit union or thrift” ▶ Have participants respond by a show of hands. ▶ Ask: “What was the experience like?” ▶ Guide a brief discussion, allowing participants to share their experiences borrowing money from a financial institution.


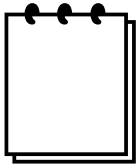



Instructor Cue	Instructions
<div data-bbox="199 296 570 663"> <p>You Will Know</p> <hr/> <ul style="list-style-type: none"> ● The value of credit ● Different types of loans <p>2</p> </div> <p>Slide 2</p>	<ul style="list-style-type: none"> ▶ Show Slide 2 (You Will Know). ▶ Explain: “By the end of the course, you will be able to decide when and how to use credit. You will know: <ul style="list-style-type: none"> ● The value of credit, and ● Different types of loans ▶ Explain: “Understanding how credit works can save you money.”
	<ul style="list-style-type: none"> ▶ Show the Participant Take-Home Guide to the class.
	<ul style="list-style-type: none"> ▶ Explain: “Each of you has a copy of the Borrowing Basics Take-Home Guide which contains highlights of the course. We will be using this throughout the course. Take it home and use it as a reference.”

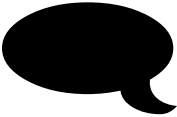


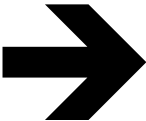
What Do You Know

Instructor Cue	Instructions
	<ul style="list-style-type: none"> ▶ Explain: “Take out the last page of your Take-Home Guide, the <i>What Do You Know</i> form.”
	<ul style="list-style-type: none"> ▶ Explain: “The What Do You Know form lets you measure how much you have learned from the course.”
	<ul style="list-style-type: none"> ▶ Read the instructions and walk the participants through each statement. ▶ Explain: “Complete the Before-the-Course column only. You will complete the other column at the end of the course.”
	<ul style="list-style-type: none"> ▶ Provide enough time for participants to complete the What Do You Know form. (2-3 minutes) ▶ Have participants put these forms aside until the end of the course when they will complete the After-the-Course column.
	<ul style="list-style-type: none"> ▶ Transition: “Now let’s take a look at how credit works!”



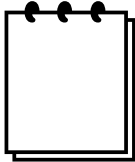
Overview of Credit





Instructor Cue	Instructions
	<ul style="list-style-type: none">▶ Guide a group discussion by asking the following question. This will help you assess participants' current understanding of credit.▶ Ask: "What is credit?"
	<ul style="list-style-type: none">▶ Write participant responses on the chart paper.▶ Explain: "Credit is money you borrow to pay for things. Credit is usually referred to as a loan. You make a promise to pay back the money you borrowed plus some extra. The extra amount is part of the cost of borrowing the money." <p>If you use credit carefully, it can be useful to you. If you are not careful in the way you use credit, it can cause problems.</p> <p>The loans discussed in this course are used for consumer or personal reasons. Loans for businesses or commercial purposes will not be discussed in this course."</p>
	<ul style="list-style-type: none">▶ Explain: "Good credit means you make your loan payments on time and repay the money you owe. If you have a good credit record, it will be easier to borrow money in the future." <p>A bad credit record will make it harder for you to borrow money."</p>


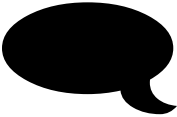
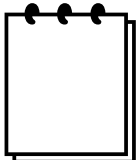

Instructor Cue	Instructions
	<p>► Ask: “Why to you think credit is important?”</p>
	<p>► Write participant responses on the chart paper.</p>
	<p>“Visit the Indiana Department of Financial Institutions’ Web Pages on Study Unit 1 at: http://www.dfi.state.in.us/conscredit/StudyUnits/unit1.htm .”</p>
<div data-bbox="196 1010 570 1444"> <p>Importance of Credit</p> <hr/> <ul style="list-style-type: none"> ● Can be useful in time of emergencies ● Is sometimes more convenient than cash ● Allows you to make large purchases  <p>3</p> </div> <p>Slide 3</p>	<p>► Show Slide 3 (Importance of Credit).</p> <p>► Explain:</p> <ul style="list-style-type: none"> ● “Credit can be useful in time of emergencies. ● Credit is sometimes more convenient than cash. ● Credit allows you to make large purchases such as a car or a house.”
	<p>► Ask: “What is collateral?”</p> <p>► Answer: “A loan can be secured by collateral. Collateral is what you promise to give to the financial institution if you do not pay back the loan.”</p>

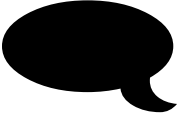



Instructor Cue	Instructions
	<p>► Explain: “You can use the car or home you are purchasing with a loan as collateral. There are other items of value you can use as collateral. When a loan is secured, the financial institution can take the item if you do not pay the loan.”</p>
<div data-bbox="196 632 570 1018"> <p>Collateral Items</p> <hr/> <p>Automobile House</p>  <p>4</p> </div> <p>Slide 4</p>	<p>► Show Slide 4 (Collateral Items).</p> <p>► Give examples of items that can be used as collateral:</p> <ul style="list-style-type: none"> ● Home ● Automobile ● Appliances and Electronics ● Jewelry ● Savings & investment accounts
	<p>► Explain: “An unsecured loan is not backed by collateral. Credit cards are examples of unsecured loans.”</p>
	<p>► Transition: “Now that we know what credit is, let’s talk about different types of loans.”</p>



Types of Loans

Instructor Cue	Instructions
	<p>► Explain: “A consumer installment loan is used to pay for personal expenses for you and your family.”</p>
<div data-bbox="199 558 570 961"> <p>Consumer Installment Loans</p> <hr/> <ul style="list-style-type: none"> ● Automobile ● Computer ● Furniture ● College tuition <p>5</p> </div> <p>Slide 5</p>	<p>► Show Slide 5 (Consumer Installment Loans).</p> <p>► Give examples of consumer loans:</p> <ul style="list-style-type: none"> ● Auto loans ● Unsecured loans for short-term needs like buying a computer or furniture ● Loans for college tuition
	<p>► Ask: “What are some other reasons for obtaining a consumer installment loan?”</p>
	<p>► Write participant responses on the chart paper.</p> <p>► Refer interested participants to the <i>Loan to Own</i> course for more information about consumer installment loans.</p>





Instructor Cue	Instructions
<div data-bbox="198 289 548 751"> <p>Credit Cards</p> <hr/> <p>Ongoing ability to borrow money for:</p> <ul style="list-style-type: none"> ● Household ● Family ● Personal Expenses  <p>6</p> </div> <p>Slide 6</p>	<ul style="list-style-type: none"> ▶ Show Slide 6 (Credit Cards). ▶ Explain: “Credit cards give you an ongoing ability to borrow money for household, family, or other personal expenses. <p>Having a credit card does not mean you have the money to pay for a purchase. You need to be able to pay your monthly credit card bill.”</p> <ul style="list-style-type: none"> ▶ Refer interested participants to the <i>Charge It Right</i> course for more information about credit cards.
	<p>“Visit the Indiana Department of Financial Institutions’ Web Pages on Credit Cards at: http://www.dfi.state.in.us/conscredit/CIcredit_card_infor.htm.”</p>
<div data-bbox="198 1197 548 1617"> <p>Home Loans</p> <hr/> <ul style="list-style-type: none"> ● Home purchase loans ● Home refinance loans ● Home equity loans  <p>7</p> </div> <p>Slide 7</p>	<ul style="list-style-type: none"> ▶ Show Slide 7 (home Loans). ▶ Explain: “There are three main types of home loans: <ul style="list-style-type: none"> ● Home purchase loans ● Home refinance loans, and ● Home equity loans”
	<ul style="list-style-type: none"> ▶ Explain: “Home purchase loans are made for the purpose of buying a house. These loans are secured by the house you are buying.”

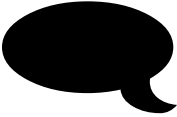
Instructor Cue	Instructions
	<p>► Explain: “Home refinancing is a process by which an existing home loan is paid off and replaced by a new loan. Reasons homeowners might want to refinance their home loan include:</p> <ul style="list-style-type: none"> ● Getting a lower interest rate ● Getting money for home repairs, or ● Getting money for other personal expenses.”
	<p>► Explain: “Home equity or second mortgage loans are secured by a property of the borrower. The amount of equity is the value of the property minus the debt owing on the first mortgage on the property. Home equity loans generally can be used for any purpose.”</p>
	<p>► Write the following on chart paper.</p> $ \begin{array}{r} \text{Value of Home } \$100,000 \\ \text{- Debt } \$ 70,000 \\ \hline \text{= Equity } \$ 30,000 \end{array} $ <p>► Emphasize that if any home loan is not repaid you might lose your house.</p> <p>► Refer interested participants to the <i>Your Own Home</i> course for more information about homeownership.</p>
	<p>“Visit the Indiana Department of Financial Institutions’ Web Pages on Mortgage Loans at: http://www.dfi.state.in.us/conscredit/CI mortgage_infor.htm and Home Equity Mortgages at http://www.dfi.state.in.us/conscredit/CI home_equity.htm.”</p>



Instructor Cue	Instructions
	<ul style="list-style-type: none"> ▶ Explain: “I am going to describe a situation in which you might want to borrow money. For each situation, choose a loan option from the list that would be appropriate.”
	<ul style="list-style-type: none"> ▶ Ask: “Which type of loan would be appropriate for financing college tuition?” ▶ Answer: Consumer installment loan or home loan. Homeowners often use home equity or home refinance loans to finance college tuition. Non-homeowners can get a consumer installment loan. Special student loans could also be an option.”
	<ul style="list-style-type: none"> ▶ Ask: “Which type of loan would be appropriate for making small purchases in a department store, for example, a \$50 household appliance?” ▶ Answer: Most people would use a credit card.
	<ul style="list-style-type: none"> ▶ Ask: “Which type of loan would be appropriate for making home improvements?” ▶ Answer: Home loan or consumer loan. Homeowners often use home equity or refinance their mortgage for home improvements, but some may use a basic consumer loan. Home loans could offer a tax benefit.

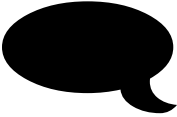



Instructor Cue	Instructions
	<ul style="list-style-type: none"> ▶ Ask: “Which type of loan would be appropriate for buying a refrigerator?” ▶ Answer: Consumer loan or a credit card.
	<ul style="list-style-type: none"> ▶ Transition: “As with any type of business transaction, it is important to remember credit is not free. Now let’s look at the cost of credit.”




Cost of Credit

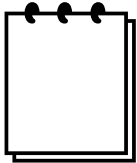
Instructor Cue	Instructions
	<ul style="list-style-type: none"> ▶ Ask: “What does credit cost?” ▶ Answer: When you get a loan, there are generally two costs you must pay: fees and interest.
	<ul style="list-style-type: none"> ▶ Explain: “Fees are charged by financial institutions for activities such as annual fees and service charges on credit cards, and late fees.”
<div data-bbox="198 856 570 1245"> <p>Fees</p> <hr/> <ul style="list-style-type: none"> ● Annual fees ● Service charges ● Late fees  </div> <p>Slide 8</p>	<ul style="list-style-type: none"> ▶ Show Slide 8 (Fees). <p>Give examples of fees:</p> <ul style="list-style-type: none"> ● Annual fees ● Service charges ● Late fees
	<ul style="list-style-type: none"> ▶ Explain: “An example of an annual fee is \$30 fee every year to keep your credit card. <p>Examples of service charges include a fee to get a cash advance or a penalty fee for charging over your credit limit.</p> <p>An example of a late fee is a \$15 or \$25 charge for not paying your bill on time.”</p>

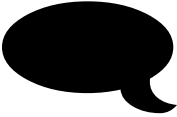

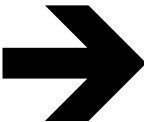
Instructor Cue	Instructions
	<p>► Explain: “Interest is the amount of money the financial institution charges for letting you use its money. Interest is only part of the total cost of credit.</p> <p>Interest can be either variable or fixed.</p> <ul style="list-style-type: none"> ● Variable rate means the interest rate might change during any period of the loan term, as written in the contract. ● Fixed rate means the interest rate stays the same throughout the term of the loan.”
<div data-bbox="198 890 570 1377"> <p>Cost of Credit</p> <hr/> <p>Amount Financed \$5,000.00 ANNUAL PERCENTAGE RATE 12% FINANCE CHARGE \$ 648.80 Total of Payments \$5,648.88</p> <p>Payments: 24 @ \$235.37</p> <p>9</p> </div> <p>Slide 9</p>	<p>► Show Slide 9 (Cost of Credit).</p> <p>► Explain: “Credit terms can be confusing Lenders charge various rates and fees. The Truth in Lending law requires lenders to state charges in a clear and uniform manner so consumers can easily compare prices. Lenders are required to disclose:</p> <p>AMOUNT FINANCED – the amount of the loan provided to you. For this example, you are borrowing \$5,000.</p> <p>ANNUAL PERCENTAGE RATE or APR – the cost of your loan express as a yearly percentage rate. When shopping for loans, you should compare APRS, not interest rates since APRs reflect the cost of interest and other finance charges. For this example, the APR is 12%.”</p>

Instructor Cue	Instructions
	<p>FINANCE CHARGE – the total dollar amount the loan will cost you. It includes items such as interest, service charges, and loan fees. For this example, the finance charge totals \$648.80.</p> <p>For this example, we are assuming the loan is for two years. Remember, if the length of the loan is longer, the monthly payments will be lower. However, you will end up paying more interest in the end.”</p>
	<p>► State: “Now that you understand some of the costs associated with credit, tell me whether you would get a loan for the following items.”</p> <ul style="list-style-type: none"> ● Ask participants the following list of questions. Have volunteers respond as to whether credit is appropriate for each one. ● Remember that the answers to these are not right or wrong. In the discussion, use the comments after each question to help participants to see possible consequences of credit decisions.
	<p>► Ask: “Would you use credit to pay overdue bills?”</p> <p>► Answer: It is not usually a good idea to use credit to pay overdue bills. If you are charged a fee for getting a loan, you owe the cost of the bills and the fees you are charged on the loan. On top of that, you will have to pay interest.</p>

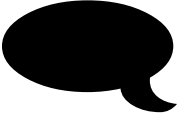


Instructor Cue	Instructions
	<p>► Explain: “If you have problems paying bills, you may need to reduce spending or negotiate with creditors for smaller payments.</p> <p>Most areas have free credit counseling services that can help you manage your credit problems.”</p>
	<p>► Ask: “Would you use credit to make a purchase even if you could pay cash?”</p> <p>► Answer: You may want to use credit in such a situation to establish a record of responsible credit use.</p>
	<p>► Ask: “Would you use credit if you really wanted something but could not afford the monthly payment?”</p> <p>► Answer: If you cannot afford the monthly payment, you should not buy the item on credit.</p> <p>However, be careful of sales people who try to sell you products based on monthly payments only. Be sure to understand the total cost of the purchase.</p>
	<p>► Explain: “Getting credit is not cheap. However, getting a loan is usually less expensive than other alternatives. For Example:</p> <ul style="list-style-type: none"> ● Rent-to-own ● Payday loans.”




Instructor Cue	Instructions
	<p>► Explain: “Rent-to-own services allow you to use an item for a period of time by making monthly or weekly payments. If you want to purchase the item, the store will set up a plan for you to rent it until you pay enough to own it.</p> <p>The store is the legal owner of the item until you make the final payment. If a payment is missed, the store can take the item back. If this happens, you will not get any money back.</p> <p>Rent-to-Own agreements are technically not loans, no ‘interest’ is charged. However, the difference between the cash price you would be charged for the same item by a retailer and your total rent-to-own payments is like the interest you pay on a loan and is usually a lot higher. Using rent-to-own services is more expensive than getting a consumer installment loan.”</p>
	<p>“Visit the Indiana Department of Financial Institutions’ Web Pages on Rent to Own at: http://www.dfi.state.in.us/conscredit/renting_to_ownTips.htm.”</p>
	<p>► Explain: “You also need to be careful of payday loans. Payday loans are usually made to people who need money right away and plan to pay it back with their next paycheck. If you do not have the money to pay the loan within the agreed time period, the lender will renew the loan and charge you additional fees. These fees can be as high as 1,500% depending on the terms. So you can see how costly it is to borrow money in this way.”</p>

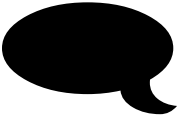


Instructor Cue	Instructions
	<p>► Give the following examples of payday loan costs. Record the dollar figures on chart paper.</p> <ul style="list-style-type: none"> ● Assume you went to a payday lender to borrow \$100. ● The payday lender will usually make a 2-week loan and might charge a fee of from \$15 to \$30. (Maximum amount in Indiana would be \$15) ● You will write a postdated personal check to the payday lender for \$115 to \$130 (or write a \$100 postdated check and pay \$15 to \$30 cash). An APR of from 390% to 780%, ● The payday lender holds the check for two weeks. When the money is due, you can repay the loan by letting the lender cash the check, or you can give the lender the full amount due in cash. ● Most payday lenders allow you to “rollover” or renew your loan. The lender will charge an additional fee. In this case, you would write another postdated check, this time for \$130 to \$160 (or pay write a \$100 postdated check and pay another \$15 to \$30 cash). ● If you roll the loan over four time, you would be paying \$48.75 to \$120 to borrow the original \$100.




Instructor Cue	Instructions
	<p>► Explain: “If you do wind up dealing with a payday lender, ask if they are a member of the Community Financial Services Association of America, or CFSA. CFSA has adopted some best practices its members must follow, which can help protect you.”</p> <p>Refer interested participants to the <i>Keep it Safe</i> and <i>Loan to Own</i> courses for more information about how to protect themselves when obtaining credit.</p>
	<p>“Visit the Indiana Department of Financial Institutions’ Web Pages on Payday Loans at: http://www.dfi.state.in.us/conscredit/payday_loans.htm and Payday Myths & Realities at: http://www.dfi.state.in.us/conscredit/PaydayMyths.html</p>
	<p>► Transition: “Now that we know more about loans, let’s look at how lenders decide to loan you money.”</p>



When You Apply for Credit


Instructor Cue	Instructions
	<p>► Explain: “When you apply for credit, the lender will review the Three Cs to decide whether you are a good credit risk and if you will be able to pay back the loan.</p> <p>You can follow along on page 7 of your Take-Home Guide. <i>When You Apply For Credit.</i>”</p>
<div data-bbox="196 758 570 1115" style="border: 1px solid black; padding: 10px;"> <p>Three Cs</p> <hr/> <ul style="list-style-type: none"> ● CAPACITY ● CAPITAL ● CHARACTER </div> <p style="text-align: right;">10</p> <p>Slide 10</p>	<p>► Show Slide 10 (Three C).</p> <p>► Explain: “Capacity refers to your present and future ability to meet your payments.</p> <p>Capital refers to your savings and other assets that can be used as collateral for loans.</p> <p>Character refers to how you have paid your bills or debts in the past.”</p>
	<p>► State: “Turn to page 8 of your Take-Home Guide, <i>Checklist for Credit Decisions.</i></p> <p>These are some of the questions a lender will ask to review your capacity, capital, and character.”</p> <p>Review the questions and talk about how they relate to a person’s ability to obtain credit;</p>
	<p>“Visit the Indiana Department of Financial Institutions’ Web Sites on Applying for Credit at: http://www.dfi.state.in.us/conscredit/Clapplying_for_credit.htm.”</p>

Instructor Cue	Instructions
	<ul style="list-style-type: none"> ▶ Explain: “First, let’s discuss capacity.” <p>Read: “How long have you been in your job?”</p> <ul style="list-style-type: none"> ▶ Explain: “Generally, a lender would like to see that you have held the same job, or same type of job, for at least a year.”
	<ul style="list-style-type: none"> ▶ Read: “How much money to you make each month?” <p>What are your monthly expenses?”</p> <ul style="list-style-type: none"> ▶ Explain: “A lender will compare the amount you owe and your other monthly expenses to your monthly income. This is called a debt-to-income ratio and it helps determine how much money you can afford to borrow.”
	<ul style="list-style-type: none"> ▶ Explain: “Now, let’s talk a bout capital.” ▶ Read: “How much money do you have in checking and savings accounts?” <p>Do you own a house?</p> <p>Do you have investments or other assets (e.g., car)?”</p> <ul style="list-style-type: none"> ▶ Explain: “Lenders want to determine the total value of your assets. Assets are things of financial value that you own. Lenders will also compare the difference between the value of your assets and the amount of debt you have. This is called net worth. A positive net worth demonstrates your ability to manage your money.”

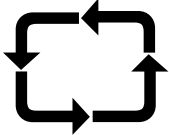


Instructor Cue	Instructions
	<ul style="list-style-type: none"> ▶ Explain: “Finally, let’s discuss character.” ▶ Read: “Have you had credit in the past?” ▶ Explain: “If you have a good credit history of repaying your other loans, you will have an easier time getting your loan request approved.”
	<ul style="list-style-type: none"> ▶ Read: “Have many credit accounts do you have?” ▶ Explain: “If you have never had a credit account, you may have difficulty getting approved for a loan. Having a good credit history shows a lender you can borrow money responsibly. Some lenders may let you prove this without a credit history. They might ask for proof you pay your rent and utilities on time.”
	<ul style="list-style-type: none"> ▶ Read: “Have you ever: <ul style="list-style-type: none"> ● Been denied credit? ● Filed for bankruptcy? ● Had any outstanding judgments, property repossessed or foreclosed upon? ● Made late payments?” ▶ Explain: “If you answer yet to any of these questions, you will have more difficulty getting approved for a loan. However, some lenders will ask you to explain what happened. Depending on your circumstances, a lender might be willing to approve your loan request.”

Instructor Cue	Instructions
<p>Credit Reports</p> <hr/> <p>Lenders obtain character information from three major nationwide credit reporting agencies:</p> <ul style="list-style-type: none"> ● Experian - (888) 397-3742 ● Equifax Credit Information Services, Inc. - (800) 685-1111 ● Trans Union Corporation (800) 916-8800  <p>Slide 11</p>	<ul style="list-style-type: none"> ▶ Show Slide 1 1 (Credit Reports). ▶ Explain: “Lenders use credit reports to obtain character information. You can request a copy of your credit report by contacting any of three credit reporting agencies: <ul style="list-style-type: none"> ● Experian ● Equifax Credit Information Services, Inc. ● Trans Union Corporation <p>Their phone numbers are listed on page 7 of your Take-Home Guide, <i>When You Apply For Credit</i>.</p> <p>More information about credit reports is covered in the <i>To Your Credit</i> course.”</p>
	<p>“Visit the Indiana Department of Financial Institutions’ Web Sites on Credit Reporting at: http://www.dfi.state.in.us/conscredit/CIcredit_reporting.htm and Credit Rights Study Unit 5, The Fair Credit Reporting Act at: http://www.dfi.state.in.us/conscredit/StudyUnits/unit5.htm.”</p>
	<ul style="list-style-type: none"> ▶ Instructor Note: Be prepared to provide the following definitions if necessary: <p>Attachment – A lien against personal property.</p> <p>Bankruptcy – A legal declaration of insolvency. Bankruptcy will not fix a bad credit record and it will be part of your credit history for up to 10 year.</p>

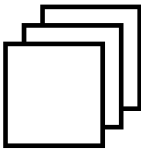
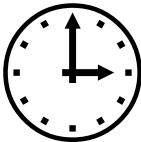

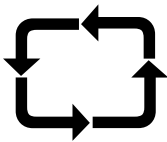
Instructor Cue	Instructions
	<p>Foreclosure – A legal proceeding initiated by a creditor to take possession of collateral that secured a defaulted loan.</p> <p>Garnishment – A process granted by a court order by which a lender obtains directly from an employer, part of an employee’s salary to satisfy an unpaid debt. Part of the employee’s salary will be taken out in each pay period until the debt is fully paid.</p> <p>Judgment – A court order placing a lien on a debtor’s property as security for a debt owed to a creditor.</p> <p>Lien – A creditor’s claim against property to secure repayment of a debt.</p> <p>Repossession – Seizure of collateral that secured a loan in default.</p>
	<p>► State: “Turn to page 9 in your Take-Home Guide, <i>Tips Before Applying for Credit</i>. You can follow along as I read through the tips:</p> <ul style="list-style-type: none"> ● Do I need this? ● Do I need it now? ● Can I wait until I have cash to pay for it? ● Can I get credit? ● How much more will I pay if I buy on credit? ● Can I afford the monthly payments? ● What is the total cost of credit? ● Are there any fees? ● What is the annual percentage rate”?

Instructor Cue	Instructions
	<p>► State: “Turn to page 9 in your Take-Home Guide, <i>Tips to Manage Your Credit</i>. You can follow along as I read through the tips:</p> <ul style="list-style-type: none"> ● If possible, pay off your entire bill each month. If you can’t try to pay more than the minimum balance due. This will reduce finance charges and total interest paid. ● Pay on time to avoid late fees and to protect your credit. If you cannot pay on time, call your creditor immediately to explain the situation. They may waive late fees or be willing to make different payment arrangements. ● Always check your monthly statement to verify transactions. Call your creditor right away if you suspect errors in your statement. ● Ignore offers creditors may send you to ‘reduce’ or ‘skip’ payments. You will still be charged interest during this period. ● Think about the cost difference if you purchase your item with cash versus if you purchase your item with credit. <p>Remember, if you purchase a \$500 stereo with a credit card with a 20% APR, it will cost \$1,084 and take 9 years to pay off if you only pay the \$10 minimum monthly payments.”</p>

Course Summary

Instructor Cue	Instructions
	<ul style="list-style-type: none">▶ Summarize the course: “Congratulations! You’ve completed the <i>Borrowing Basics</i> course. We’ve covered a lot of information today about credit including:<ul style="list-style-type: none">● What credit is● Why credit is important● Types of loans, and● The cost of credit▶ You should now be able to decide when and how to use credit.”
	<ul style="list-style-type: none">▶ Ask: “Are there any questions?”▶ Answer any questions as time permits.
	<ul style="list-style-type: none">▶ Transition: “To improve the course, we will need your feed back. The After-the – Course column on the <i>What Do You Know</i> form and <i>Course Evaluation</i> will identify changes that can make this course better.”

End of Course Evaluation

Instructor Cue	Instructions
	<ul style="list-style-type: none"> ▶ Explain: “Please complete the After-the Course column and the <i>Course Evaluation</i>. These forms are the last two pages of your Take-Home Guide.”
	<ul style="list-style-type: none"> ▶ Allow time for participants to complete it. ▶ Collect the <i>What Do You Know</i> and <i>Course Evaluation</i> forms.
	<p>“Don’t forget to visit the Indiana Department of Financial Institutions’ Web Pages on Credit Information at:</p> <p>http://www.dfi.state.in.us/conscredit/end.htm.”</p>
	<ul style="list-style-type: none"> ▶ Conclusion: “Great job on completing the <i>Borrowing Basics</i> course! Thank you for participating.”